2006 IDAHO SMALL EMPLOYER INVESTMENT TAX CREDIT

FORM 83
EFO00011
8-04-06_v4

	Month	Day	Year		Month	Day	Year
For calendar year 2006, or fiscal year beginning			06	ending			

Name(s) as shown on return	Social Security Number or EIN

QUALIFYING FOR THE CREDIT

For tax years beginning in 2006, you may claim the Idaho small employer investment tax credit if you have certified you will meet the following tax incentive criteria at the project site during the project period:

1. Capital investment in new plant and building facilities of at least $500,000,
2. Increased employment by at least 10 new employees who each earn at least $19.23 per hour and receive health benefits, and
3. For new employment increases above the 10 new employees, the average wages of the additional new employees is at least $15.50 per hour worked. See the instructions for who is included in this calculation.

If you have not filed Form 89SE with the Tax Commission or have been notified that you do not qualify for the small employer incentives, you do not qualify for this credit. Complete Form 49 for any investments that qualify for the regular investment tax credit.

CREDIT AVAILABLE SUBJECT TO LIMITATION

1. Amount of qualified investments acquired during the tax year. *Attach a complete list of qualified investments*.	1	
2. Amount of investments for which you claimed the property tax exemption. Attach Form 49E.	2	
3. Subtract line 2 from line 1. This is the amount of qualified investments on which you may earn the small employers investment tax credit.	3	
4. Credit earned. Multiply line 3 by 3.75%.	4	
5. Pass-through share of credit from a partnership, S corporation, estate or trust	5	
6. Credit received through unitary sharing. Attach a schedule.	6	
7. Carryover of small employer investment tax credit from prior years.	7	
8. Credit recaptured in 2006. Enter the amount from Form 83R, line 13. Attach Form 83R.	8	
9. Credit distributed to partners, shareholders or beneficiaries	9	
10. Credit shared with unitary affiliates	10	
11. Total credit available subject to limitations. Add lines 4 through 7 and subtract lines 8 through 10.	11	

CREDIT LIMITATIONS

12. Enter the Idaho income tax from your tax return.			12	
13. Credit for tax paid to other states	13			
14. Credit for contributions to Idaho educational entities	14			
15. Investment tax credit	15			
16. Credit for contributions to Idaho youth and rehabilitation facilities	16			
17. Credit for production equipment using postconsumer waste	17			
18. Promoter sponsored event credit	18			
19. Credit for qualifying new employees	19			
20. Credit for Idaho research activities	20			
21. Broadband equipment investment credit	21			
22. Incentive investment tax credit	22			
23. Add lines 13 through 22.			23	
24. Tax available after other credits. Subtract line 23 from line 12.	24			
25. 62.5% of tax. Multiply line 12 by 62.5%.	25			
26. Credit allowable subject to limitation of tax. Enter the smaller of: a. the amount from line 11 or b. $750,000	26			
27. Total credit allowed on current year tax return. Enter the smallest amount from lines 24, 25, and 26 here and on Form 44, Part I, line 11.			27	

CREDIT CARRYOVER

28. Total credit available subject to limitations. Enter the amount from line 11.	28	
29. Total credit allowed on current year tax return. Enter the amount from line 27.	29	
30. Credit carryover to future years. Subtract line 29 from line 28. Enter the amount here and on Form 44, Part I, line 11.	30	

Instructions for Idaho Form 83

GENERAL INSTRUCTIONS

Form 83 is used to calculate the Idaho small employer investment tax credit (SE-ITC) earned or allowed. Each member of a unitary group of corporations that earns or is allowed the credit must complete a separate Form 83.

The SE-ITC is first available for property placed in service during tax years beginning on or after January 1, 2005. It is allowed for property that qualifies for the 3% investment tax credit (ITC). If you are claiming the SE-ITC, you may not also claim the ITC on the same property.

If you apply for, receive, or are entitled to claim any of the corporate headquarters tax incentives, you may not claim the small employer tax incentives.

QUALIFYING TAXPAYERS

To qualify for the SE-ITC, you must certify that you will meet the tax incentive criteria at the project site during the project period. If you have not filed Form 89SE with the Tax Commission, or you have been notified that you do not qualify for the small employer incentives, you may not claim this credit. If you do not qualify for the SE-ITC, you may be eligible to claim the ITC. See Idaho Form 49.

Tax Incentive Criteria

To meet the tax incentive criteria, your business must do the following at the project site, during the project period:

- Invest at least $500,000 in new plant and building facilities,
- Increase employment at the project site by at least 10 new employees, who each earn at least $19.23 per hour worked, and
- If your new employment increased by more than the 10 new employees, these additional new employees must on average earn at least $15.50 per hour worked during your tax year. For this calculation:
  - The numerator is the total wages paid to these new employees. Do not include the wages of employees earning more than $48.08 or less than $12.00 per hour.
  - The denominator is the number of employees whose wages go into the numerator, but also includes the number of employees earning less than $12.00 per hour, even though the wages are not included in the numerator.

Project Site

Project site is where new plant and building facilities owned or leased by the taxpayer are located. The project site can be one or more geographic areas in Idaho, but only if 80% or more of the investment required is located at one of the areas.

Project Period

Project period is the period of time that begins at the earlier of:

- A physical change to the project site, or
- The first employment of new employees in Idaho who are related to the activities at the project site.

The project period cannot begin before January 1, 2006.

The project period ends when the facilities constituting the project are placed in service, but no later than December 31, 2010.

New Plant and Building Facilities

New plant and building facilities include property that meets either the definition of qualified investment for purposes of the ITC, or is a building or a structural component of a building.

The property must be new property. Used property does not qualify. New property is property acquired or constructed by the taxpayer whose original use begins with the taxpayer after such acquisition or construction. Original use means the first use to which the property is put, whether or not that corresponds to the use of the property by the taxpayer. Property used by the taxpayer prior to its acquisition does not qualify as new property.

New Employees

To qualify as a new employee for the tax incentive criteria, an employee must:

- Be employed primarily at the project site by the taxpayer,
- Have wages subject to Idaho income tax withholding,
- Be covered for Idaho unemployment insurance purposes,
- Be eligible to receive employer provided coverage under a health benefit plan,
- Be employed on a regular full-time basis, and
- Meet the applicable wage requirements.

For this purpose, earnings include income subject to Idaho income tax withholding, but do not include stock options or restricted stock grants.

An existing employee of the taxpayer or a related taxpayer who is transferred to a new position at the project site will not qualify as a new employee, unless the transfer results in a net new job in Idaho.

Once reached, the net increase in employment at the project site must be maintained for the rest of the project period.

QUALIFYING PROPERTY

If you are a qualifying taxpayer, property that would qualify for the ITC qualifies for the SE-ITC. The property does not have to be located at the project site to qualify. However, it does have to be placed in service during the project period.

Property that qualifies for the ITC generally follows the definition of qualified property found in the Internal Revenue Code (IRC), Sections 46 and 48 as in effect prior to 1986. The property must have a useful life of three years or more and be property for which you are allowed the deduction for depreciation or amortization in lieu of depreciation. Qualifying property includes the following property used in a trade or business:

- Tangible personal property - machinery and equipment
- Other tangible property - property used as an integral part of manufacturing, production, extraction, or furnishing transportation, communications, or utility services, or research facilities and bulk storage facilities used in connection with those businesses
- Elevators and escalators
- Single purpose agricultural or horticultural structures
- Qualified timber property
- Petroleum storage facilities
- Qualified broadband equipment as approved by the Idaho Public Utilities Commission

Nonqualifying Property

Property that does not qualify includes:

- Buildings and their structural components (this property may qualify for the small employer real property improvement tax credit - see Idaho Form 84)
- Property used in lodging facilities that rent 50% or more of their lodging units for periods of 30 days or longer, such as apartment houses or rental homes. (Does not apply to hotels and motels that rent more than half their units for periods of less than 30 days.) Nonqualifying property

includes property used in the living quarters, lobby furniture, office equipment, and laundry and swimming pool facilities, but excludes certain coin-operated machines.
- The cost of property expensed under Section 179, IRC
- Property subject to 60-month amortization
- Used property not acquired by purchase
- Property that is either nondepreciable or has a useful life of fewer than three years
- The portion of property used for personal use
- Used property in excess of $150,000
- Horses

Idaho Exceptions to IRC Sections 46 and 48
Idaho law specifically excludes the following property from qualifying for the Idaho ITC:

- Property not used in Idaho, and
- Vehicles under 8,000 pounds gross weight

Property Used Both In and Outside Idaho
If property is used both in and outside Idaho, compute the qualified investment for all such property using one of the following methods:

1. Percentage-of-Use Method - Multiply the investment in each asset by a fraction where Idaho use is the numerator and total use is the denominator. Usage can be measured by machine hours, mileage or any other method that accurately reflects the usage.
2. Property Factor Numerator Method - Use the amount included in the Idaho property numerator for each property.

CARRYOVER PERIODS
Small employer ITC that was earned but not used against tax may be carried forward for 14 tax years. For purposes of the carryover period, a short tax year counts as one tax year.

ELECTION TO CLAIM TWO-YEAR PROPERTY TAX EXEMPTION AND FOREGO INVESTMENT TAX CREDIT
If you placed personal property in service that qualifies for the ITC, you may elect to exempt this property from your property tax. You are not eligible for the election if your rate of charge or rate of return is regulated or limited by federal or state law. The exemption from the property tax is for two years. After the two years you must pay any applicable property tax. You cannot claim the SE-ITC for any property that you elect to exempt from property tax.

The election is available if you had negative Idaho taxable income in the second preceding tax year from the tax year in which the property was placed in service. Negative Idaho taxable income must have been computed without regard to any carryover or carryback of net operating losses.

The election must be made on Form 49E and filed with the operator's statement or personal property declaration. A copy of the election form must be attached to the original income tax return(s) for the tax year(s) in which the property was placed in service.

RECAPTURE
You must compute recapture if you sell or otherwise dispose of the property or it ceases to qualify for the SE-ITC before it has been in service for five full years.

Also, you must compute recapture if you claimed the SE-ITC in an earlier year and fail to meet the tax incentive criteria you certified to on Idaho Form 89SE.

File Form 83R if you claimed the SE-ITC. File Form 49R if you claimed the ITC or Form 49ER if you claimed the property tax exemption.

SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form.

CREDIT AVAILABLE SUBJECT TO LIMITATION
Line 1. Attach a list of all property you acquired during the tax year that qualifies for the SE-ITC. The list should identify what each item of property is, your basis in the item and the date placed in service. Do not include any property placed in service before the date the project period began.

Line 2. Enter the amount of qualified investments for which you claimed the property tax exemption. This exemption is allowed in lieu of earning the SE-ITC. Attach applicable Form(s) 49E.

Line 5. Enter the amount of the SE-ITC that is being passed through by partnerships, S corporations, estates or trusts in which you have an interest. Attach a copy of the schedule provided to you.

Line 6. If you are a member of a unitary group, enter the amount of credit you received from another member of the unitary group.

Line 7. This line is not available for tax years that begin during 2006 since you cannot earn the credit in tax years that begin before January 1, 2006.

Line 9. If you are a partnership, S corporation, trust or estate, enter the amount of credit that passed through to partners, shareholders, or beneficiaries.

Line 10. If you are a member of a unitary group, enter the amount of credit you earned that you elect to share with other members of your unitary group. Before you can share your credit, you must use the credit up to the allowable limitation of your tax liability.

Corporations claiming the SE-ITC must provide a calculation of the credit earned and used by each member of the combined group. The schedule must clearly identify shared credit and the computation of any credit carryovers.

CREDIT LIMITATIONS
The SE-ITC is limited to the smaller of $750,000, 62.5% of your tax liability, or the Idaho income tax after allowing all other tax credits that may be claimed before the SE-ITC.

The following credits must be applied to the tax before the SE-ITC:

1. Credit for tax paid to other states
2. Credit for contributions to Idaho educational entities
3. Investment tax credit
4. Credit for contributions to Idaho youth and rehabilitation facilities
5. Credit for production equipment using postconsumer waste
6. Promoter sponsored event credit
7. Credit for qualifying new employees
8. Credit for Idaho research activities
9. Broadband equipment investment credit
10. Incentive investment tax credit

Line 12. Enter the amount of your Idaho income tax. This is the computed tax before adding the permanent building fund tax or any other taxes, or subtracting any credits.

Line 13. Enter the credit for tax paid to other states as computed on Form 39R or Form 39NR. This credit is available only to individuals, estates, and trusts.

Line 14. Enter the credit for contributions to Idaho educational entities from the appropriate Idaho income tax return, or the amount from Form 55, Part III, line 6, if the credit for qualifying new employees was claimed or earned.

Line 15. Enter the investment tax credit allowed as computed on Form 49, Part II, line 8, or the amount from Form 55, Part III, line 9, if the credit for qualifying new employees was claimed or earned.

Line 16. Enter the credit for contributions to Idaho youth and rehabilitation facilities from the appropriate Idaho income tax return, or the amount from Form 55, Part III, line 13, if the credit for qualifying new employees was claimed or earned.

Line 17. Enter the credit for production equipment using post-consumer waste from the appropriate Idaho income tax return or the amount from Form 55, Part III, line 17, if the credit for qualifying new employees was claimed or earned.

Line 18. Enter the promoter sponsored event credit from the appropriate Idaho income tax return, or the amount from Form 55, Part III, line 21, if the credit for qualifying new employees was claimed or earned.

Line 19. Enter the allowable credit for qualifying new employees as computed on Form 55, Part III, line 26.

Line 20. Enter the credit allowed for Idaho research activities as computed on Form 67, line 30 or 34.

Line 21. Enter the amount allowed for the broadband equipment investment tax credit as computed on Form 68, line 19 or 23.

Line 22. Enter the credit allowed for the incentive investment tax credit as computed on Form 69, line 17 or 21.

Line 27. Enter the smaller amount from lines 24, 25, and 26 on line 27. Enter this amount on Form 44, Part I, line 11 in the Credit Allowed column.

CREDIT CARRYOVER

Line 30. The amount of credit available that exceeds the total credit allowed on the current year tax return may be carried forward up to 14 tax years. Enter this amount on Form 44, Part I, line 11 in the Carryover column.